

Capital Structure and Firm Performance : Evidence from Listed Food And Beverage Companies In Sri Lanka

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Capital structure refers to the percentage of money at work in a company. There are two forms of capital: equity capital and debt capital. The firm's capability of accomplish the needs of its stakeholders is closely related to the firm's Capital Structure decisions. Capital Structure decision is to find out the best mix of debts and equity that a company uses to finance its business. This analysis performs to identify the relationship between Capital Structure and performance of the food and beverage companies in Sri Lanka, The examination performs using 15 companies listed on the Colombo Stock Exchange covering the years 2010-2015. The review utilizes Return on assets as dependent variable as well as the three capital structure measure Short Term Debt to Total Assets, Long Term Debt to Total Assets & Total Debt To Equity as autonomous variable. Descriptive, Regression and correlation analysis use as a techniques for measure the variables. The outcome reveals a positive relationship between the Short-Term Debt to Total Assets and Return on Assets. However there is a negative relationship between the Long-Term Debt to Total Assets and Return on Assets. The relationship between Total Debt and Return on Assets show a positive association as these findings analysis discovered that there is significant relationship between capital structure and performance of the listed food and beverage industry in Sri Lanka. Furthermore increasing short term debt within an organization will lead to enhance the performance of the food and beverage industry in Sri Lanka nevertheless keeping more long term debt will lead to decrease the performance of the listed food and beverage industry in Sri Lanka.

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